

IDEA Public Schools

# CAPITAL ASSETS POLICY



**IDEA PUBLIC SCHOOLS BOARD POLICY**  
**CAPITAL ASSETS POLICY**

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## **IDEA PUBLIC SCHOOLS BOARD POLICY**

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#### **Sec. 1. PURPOSE OF POLICY**

Through this policy, the Board of Directors (“Board”) of IDEA Public Schools (“IDEA”) shall address the legal requirements, as applicable, promulgated at:

- (a) Texas Education Code (“Tex. Ed. Code”), Chapter 44, Subchapter B and Sections 12.107, 12.128 and 45.105(c);
- (b) Texas Government Code (“Tex. Gov’t. Code”) Chapter 2269;
- (c) Texas Administrative Code, Title 19 (“19 TAC”), Sections 100.1001, 100.1043, and 100.1063;
- (d) Code of Federal Regulations, Title 2, Part 200 (“2 CFR 200”); and
- (e) Financial Accountability System Resource Guide, Module 2.

Additionally, through this policy, the Board shall address best practices adopted by public schools relating to capital assets.

#### **Sec. 2. AUTHORITY OVER FISCAL MATTERS**

Sec.2.1 Refer to the Board’s policy relating to its authority over fiscal matters for requirements applicable to this policy. In the event of a conflict between this policy and the Board’s policy relating to its authority over fiscal matters, the latter policy shall prevail and govern.

Sec. 2.2. Under Tex. Ed. Code § 12.107(a)(3), IDEA may only use public funds for a purpose for which a school may use local funds under Tex. Ed. Code § 45.105(c). Notably, under Tex. Ed. Code § 45.105(c), “Local school funds...may be used for...buying school sites, buying, building, repairing, and renting school buildings, including acquiring school buildings and sites by leasing through annual payments with an ultimate option to purchase”. Being that the Board “Adopt[ed] the provisions of Texas Education Code (TEC), Chapter 44, Subchapter B, as the charter holder’s **process for awarding a contract for the construction, repair, or renovation of a structure, road, highway, or other improvement or addition to real property**” (emphasis added), the statutory provisions in Chapter 44, Subchapter B and Chapter 2269, Tex. Gov’t. Code, incorporated by reference under Tex. Ed. Code § 44.031(a)(5), relate only to a public work contract<sup>1</sup> and construction services. Importantly, under Tex. Ed. Code § 44.0312 and Tex. Gov’t. Code § 2269.053, the Board may only delegate its authority pertaining to the procurement of a public work contract for construction services and not for the acquisition of land or real estate.<sup>2</sup> Moreover, under Tex. Ed. Code § 12.121, the Board “is responsible for the management, operation, and accountability of the school, regardless of whether the governing body delegates the governing body's powers and duties to another person.” Thus, in accordance with 19 TAC §100.1033(b)(14)(C)(ii), “Absent a specific written exception ..., setting forth good cause why a specific function listed in ... this subparagraph cannot reasonably be carried out by the [Board], ...the [Board] shall not delegate...final authority... to authorize the expenditure or obligation of

<sup>1</sup> Tex. Gov’t. Code § 2269.001 provides: “In this chapter:...(6) "Public work contract" means a contract for constructing, altering, or repairing a public building or carrying out or completing any public work.”

<sup>2</sup> 19 TAC § 100.1001(4) provides: “Real estate--An interest, including a lease interest, in real property recognized by Texas law, or in improvements such as buildings, fixtures, utilities, landscaping, construction in progress, or other improvements.”

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state funds<sup>[3]</sup> or the use of public property” for the acquisition of land and real estate. Accordingly, said authority is retained by the Board under Sec. 3.3 of this policy. This policy statement notwithstanding, to the degree authorized in this policy and the Board’s Purchasing Policy, the Delegates may enter into a public work contract for construction services, as authorized by the Board.

### Sec. 3. CAPITAL ASSETS

#### Sec. 3.1. Capital Assets Defined

*Capital assets* means any tangible or intangible item of property acquired by IDEA, regardless of funding source used or if donated, with a cost of \$5,000 or more and a useful life of greater than one (1) year at the time of acquisition.<sup>4</sup>

The broad range of capital assets that are used in operations, include:

- (a) Land & Land Improvements;
- (b) Buildings and Building Improvements;
- (c) Leasehold Improvements;
- (d) Facilities and Other Improvements;
- (e) Construction in Progress; and
- (f) Personal Property:
  - (1) Furniture & Equipment, other than computer hardware;
  - (2) Computer hardware and software;
  - (3) Contract rights, intellectual property, and other intangible property;
  - (4) Vehicles; and
  - (5) Any other form of personal property recognized by Texas law.<sup>5</sup>

#### Sec. 3.2. Capitalization Thresholds

IDEA shall capitalize assets pursuant to the thresholds set forth in the following table.

<u>Class of Asset</u>	<u>Threshold</u>	<u>Depreciation Method</u>
Land	Capitalize Only	Inexhaustible assets do not depreciate
Land Improvements	\$5,000	Straight-Line
Buildings	\$5,000	Straight-Line
Building Improvements	\$5,000	Straight-Line
Leasehold Improvements	\$5,000	Straight-Line
Construction in Progress	Capitalize Only	N/A
Furniture & Equipment	\$5,000 per unit	Straight-Line

<sup>3</sup> Under 19 TAC §100.1001(8), “State funds...[are] Funds received by the charter holder under TEC, §12.106, and any grant or discretionary funds received through or administered by the TEA, including all federal funds.”

<sup>4</sup> 2 CFR § 200.12

<sup>5</sup> 19 TAC §100.1001(6)

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<u>Class of Asset</u>	<u>Threshold</u>	<u>Depreciation Method</u>
Vehicles	\$5,000 per vehicle	Straight-Line
Other Personal Property	\$5,000 per unit	Straight-Line

**Sec. 3.3. Capital Asset Purchase Approval**

Sec. 3.3.1. The Board shall approve the purchase of land, any public work contract<sup>6</sup> or the acquisition of personal property with a per unit cost or value of \$50,000 or more prior to its acquisition. With respect to the purchase of land or real estate, as established under Sec. 2.2 of this policy, the Board shall approve the acquisition during feasibility and authorize the closing of the purchase. After approval from the Board, IDEA may proceed with the purchase or construction project.

Sec. 3.3.2. When a campus needs a site improvement (land or building), the request must be submitted during the Capital Budget Process as a public work contract which starts (approximately) in November of each year. This budget is approved by the Board, in conjunction with the operating budget, in June of each year.

**Sec. 3.4. Asset Acquisition Cost**

Capital assets are recorded at their historical cost, which include:

- (a) Vendor invoices (plus value of any trade-in);
- (b) Initial installation cost (excluding in-house labor);
- (c) Modifications;
- (d) Attachments; and
- (e) Accessories or apparatus necessary to make the asset usable and ready to be placed in service.

Historical cost also includes ancillary charges such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets are recorded at their estimated fair market value on the date of donation.

**Sec. 3.5. Capital Asset Recording**

*Sec. 3.5.1. Land*

Land will be capitalized but ***not*** depreciated. It is recorded at historical cost/acquisition price plus incidental costs including real estate commissions, attorney, escrow, survey, title recording fees, etc. and remains at that cost until disposed.

<sup>6</sup> Tex. Gov't. Code §2269.001(6) defines "public work contract" as "a contract for constructing, altering, or repairing a public building or carrying out or completing any public work." Consistent with Tex. Local Gov't. Code 271.024, a public work shall include any construction service, including "the construction, repair, or renovation of a structure, road, highway, or other improvement or addition to real property".

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#### *Sec. 3.5.2. Land Improvements*

Land improvements include items such as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, retaining walls, fencing, outdoor lighting, and other non-building improvements that make the land ready for its intended purpose. Land improvements and land are recorded separately because land improvements have a limited life and are depreciated. Land is assumed to last indefinitely and will not be depreciated.

- (a) Non-Exhaustible Additions are additions to the cost of land and are generally not exhaustible and therefore, not depreciable. These types of expenditures relate to improvements that:
- (1) do not require maintenance or replacement;
  - (2) bring land into condition to commence erection of structures; and
  - (3) do not deteriorate with use or with the passage of time.
- (b) Exhaustible Improvements are expenditures for improvements that are part of a site and will be depreciated. These types of improvements include:
- (1) Parking lots
  - (2) Sidewalks
  - (3) Walkways
  - (4) Landscaping; and
  - (5) Fencing.

#### *Sec. 3.5.3. Leasehold Improvements*

A leasehold improvement is the permanent improvement of a building that is being rented under an operating lease; the lease will likely state that all improvements to the building will belong to the owner of the building. However, any leasehold improvements paid with public (state) funds, including through debt financing subsequently liquidated with public funds, are public (state) property and legal counsel should be sought to ensure that the state's interests are appropriately addressed and safeguarded. The amount of the leasehold improvements will be depreciated by the tenant over the useful life of the improvements or over the life of the lease, whichever is shorter.

#### *Sec. 3.5.4. Buildings*

Buildings will be recorded at either their acquisition cost or construction cost.

#### *Sec. 3.5.5. Building Improvements*

Building improvements that extend useful life of the building and meet the capitalization threshold will be capitalized. Examples of building improvements include projects such as: roofing, major energy conservation, remodeling, and replacing major building components.

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#### *Sec. 3.5.6. Construction in Progress*

Construction in progress is a general ledger account in which costs that are directly associated with constructing an asset are recorded. Once an asset is placed in service, all costs associated with it, which are stored in the construction in progress account, are shifted into whichever fixed asset account is most appropriate for the asset.

The most common fixed asset account to which these costs are shifted is Buildings, since most construction projects relate to that type of fixed asset. Once the asset is placed in service and shifted to its final fixed asset account, it will be depreciated as of the in-service date.

#### *Sec. 3.5.7. Furniture and Equipment*

Assets such as furniture, machinery, and equipment (that meet the set threshold) will be identified, inventoried, and depreciated.

#### *Sec. 3.5.8. Vehicles*

Vehicles will be identified, inventoried, and depreciated. Titles to all vehicles will be safeguarded by the Fixed Asset Accountant.

### **Sec. 4. DEPRECIATION**

#### **Sec. 4.1. Depreciation Defined**

Depreciation is the allocation of the total acquisition cost of a capital asset over its estimated useful life; consequently, reducing the value of the capital asset due to its use. The same depreciation method is not required for all capital assets. Land, construction in progress, and similar assets are not depreciated.

#### **Sec. 4.2. Authorized Method of Depreciation**

The Delegates or designee shall utilize the straight-line method of depreciation which shall be calculated as follows:

$$\text{Acquisition Cost of Asset} / \text{Estimated Useful Life} = \text{Annual Depreciation Expense}$$

#### **Sec. 4.3. Estimated Useful Life**

Estimated useful life is the period during which a capital asset is projected to generate revenue or provide other valuable service to the organization and not how long the asset will last. An asset must have an estimated useful life greater than one (1) year to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost, or worn-out within one (1) year will not be capitalized.



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**Sec. 5.4. Useful Life Table**

<u>Asset Type</u>	<u>Examples</u>	<u>Depreciable Life in Years</u>
Land		No Depreciation
Land Improvements (Exhaustible)	Sidewalks, walkways, parking lots, landscaping (mulch is considered maintenance, unless installed initially), fences, external lighting, irrigation system, drainage, service connections to municipal services and public utilities	15
Buildings		30
Modular Buildings	Portables, Sheds	10
Building Improvements:		Over the term of the pertinent lease agreement
HVAC Systems	Heating, air conditioners	15
Electrical/Plumbing		15
Roofing	roofs, canopies	15
Carpet Replacement		7
Cabling	Computer network, projectors	5
Computer Hardware	Computer network, projectors desktops, laptops	5 3
Computer Software	Off the shelf, non-customized	3
Duplicating Equipment	Copiers, scanners, fax machines	5
Custodial Equipment	Floor scrubbers, vacuums	7
Office and Classroom furniture, fixtures and equipment	Desks, tables	7
Grounds Equipment	Mowers, tractors	7
Kitchen Equipment	Appliances	7
Audio-Visual Equipment	Projectors, security systems	5
Motor Vehicles	Cars, vans, light trucks, buses	5

**Sec. 5. INVENTORY**

**Sec. 5.1. Inventory of Capital Assets**

The Delegates or designee shall maintain an inventory of all capital assets. In doing so, the Delegates or designee shall tag all capital assets with a permanent, machine-readable label.

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The Delegates or designee shall annually conduct a physical inventory of capital assets and shall ensure appropriate corrective or other measures, including reports to law enforcement, are undertaken for any capital assets that are not located.

When a change in campus principal or central office administrator occurs, the Delegates or designee and the outgoing principal or administrator shall conduct a joint inventory of capital assets.

#### **Sec. 5.2. Inventory Maintenance**

IDEA will maintain accurate, complete, and up-to-date records of all capital assets through physical counts, review of purchase records, and other methods deemed necessary.

#### **Sec. 5.3. Inventory Threshold**

Personal property that meet the capitalization threshold (per unit cost over \$5,000) must be tracked and inventoried. Additionally, computing devices, including desktop computers, laptops, notebooks, tablets, and smartphones, acquired with federal funds must be tracked and inventoried.<sup>7</sup>

#### **Sec. 5.4. Non-Consumable Items with a per unit cost less than \$5,000**

Computers, laptops, and tablets acquired with state and local funds with a per unit cost of less than \$5,000 *will not* be tracked and inventoried by the Business Office.

### **Sec. 6. ASSET MANAGEMENT**

#### **Sec. 6.1. Asset Requests**

IDEA staff shall procure capital assets through the formal purchase requisition process. The Delegates or designee shall decline to pay from IDEA funds any amount charged to IDEA's corporate charge and credit accounts by any officer and employee. In the event that an officer or employee uses IDEA's corporate charter and credit accounts to purchase a capital asset(s), the officer or employee shall be personally liable for the amount(s) incurred.

#### **Sec. 6.2. Capitalization of Repairs and Renovations**

The Delegates or designee shall capitalize any repairs and renovations with a cost of \$5,000 or more and that extend the useful life of the capital asset by more than one (1) year at the time of repair or renovation.

#### **Sec. 6.3. Safeguarding of Capital Assets**

The Delegates or designee shall ensure that capital assets are safeguarded and accounted on the date of acquisition and through the date of disposal.

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<sup>7</sup> 2 CFR §200.302(b)(4); Texas Education Agency General and Fiscal Guidelines

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The Delegates or designee shall adopt a system for transferring assets assigned to a campus or department to another campus or department.

#### **Sec. 7. DISPOSITION OF CAPITAL ASSETS**

Except for real property, the Delegates or designee is authorized, by any means commonly used, to dispose of assets that have concluded their useful life, are obsolete or deemed unnecessary, are damaged beyond repair or deemed too costly to repair, or are lost or stolen. If an asset is still serviceable, the Delegates or designee shall first determine if a need for the asset exists elsewhere within IDEA before disposing of the asset.

The Board shall authorize any disposal of assets through a donation to another charitable, tax-exempt organization. For donations to charitable organizations, the Board shall obtain a written assurance from the organization to which the asset is being donated that it will use the donated asset for a public purpose and shall stipulate that, as a condition of the donation, ownership of the asset shall revert to IDEA if the recipient organization discontinues using the asset for a public purpose.

If the asset is disposed of through a sale, the Delegates or designee shall sell the asset for fair market value and shall attribute any proceeds to the originating fund source. As a condition of selling the asset, IDEA shall make no warranties or guarantees concerning the continued functionality of the asset.

In the following order of precedence, the Delegates or designee may sell assets to students, teachers and educational aides, parents, other IDEA personnel, and the public at large. In doing so, the Delegates or designee shall not act in a manner that is or appears to be preferential to any one individual, except as indicated in the order of precedence set forth in this paragraph.

If the asset has no value, the Delegates or designee may dispose of the asset as deemed administratively expedient.<sup>8</sup>

The Delegates or designee shall adopt a system for the documented disposal of assets, including the Delegates' approval for the disposal of any real property or capital asset with a fair market or residual value exceeding \$5,000 per unit.

Prior to the final disposal of an asset, the Delegates or designee shall remove or cause to have removed any IDEA emblems and other identifying information, such as license plates and inventory tags, from the asset. Additionally, any computer technology shall have its storage mediums permanently erased of any software owned or subscribed to IDEA and of any data, especially personally identifiable data pertaining to students and staff.

IDEA personnel are prohibited from receiving, through sale or otherwise, any asset that is to be disposed except as established under this policy and pursuant to the administrative procedures adopted under this policy.

The Delegates or designee shall dispose of assets acquired with federal funds in accordance with applicable federal regulations and grantor agency policy and grant requirements.

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<sup>8</sup> An administratively expedient disposal does not result in any additional administrative process beyond documenting the disposal of the asset.

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**Sec. 8. TRAINING AND UPDATES**

The Delegates or designee shall properly train or ensure training is provided to IDEA officers and employees on the requirements of this policy and any administrative procedures adopted to implement this policy. Additionally, the Delegates or designee shall keep IDEA officers and employees informed of any changes to this policy and related requirements.

**Sec. 9. ADMINISTRATIVE PROCEDURES<sup>9</sup>**

The Delegates shall formally adopt administrative procedures as reasonably necessary to properly administer this policy and to adhere to applicable law and rule. In doing so, the Delegates shall not adopt, and are prohibited from adopting, an administrative procedure that conflicts with applicable law or this policy. Accordingly, the Delegates shall confer with the Board or legal counsel before deviating from the requirements set forth in this policy. In the event that a deviation from this policy becomes necessary, the Delegates shall either recommend an amendment to this policy or the Board's approval of a specific deviation, including the purpose, scope and duration of the requested deviation.

**Sec. 10. DATE ADOPTED AND EFFECTIVE**

As set forth in the pertinent minutes to the meeting of the Board, the Board amended this policy on July 17, 2020, and it became effective on July 17, 2020.

**Sec. 11. RETENTION<sup>10</sup>**

This policy shall be retained until superseded, expired, or discontinued and for five (5) years thereafter in accordance with state law.

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<sup>9</sup> Consistent with 19 TAC § 100.1033(b)(14)(C)(iv), the Board has the final authority to adopt policies governing charter school operations, including authorizing the Delegates or designee to adopt an administrative procedure to implement this policy. Moreover, as set forth in IDEA's Articles of Incorporation and Bylaws and in accordance with Tex. Bus. Org. Code §§ 3.101 and 22.201, the Board is IDEA's governing authority and, as such, manages and directs IDEA's business and affairs through Board actions, resolutions and policy.

<sup>10</sup> Tex. Ed. Code §12.1052; 19 TAC §100.1203; See Record Number GR1000-38 and GR1025-25 in Local Schedule GR: Records Common to All Local Governments, Revised 5th Edition (Effective April 17, 2016) adopted by the Texas State Library and Archives Commission at Texas Administrative Code, Title 13, §7.125(a)(1).

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**Sec. 12. CERTIFICATION**

The Undersigned, being the Secretary of the Corporation, hereby certifies that the foregoing represents a true copy of the Board Policy relating to the Capital Assets, as originally adopted by the Board on May 1, 2020, and as subsequently amended by the Board on June 12, 2020, and July 17, 2020, which Policy, as amended, is in full force and effect and has not been revoked or amended.

DocuSigned by:  
  
8733898FD696495...

Ryan Vaughan, Secretary

7/22/2020

\_\_\_\_\_  
Date Certified